

**REPORT OF THE AUDIT OF THE  
HARRISON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE HARRISON COUNTY FISCAL COURT**

**June 30, 2005**

The Auditor of Public Accounts has completed the audit of the Harrison County Fiscal Court for fiscal year ended June 30, 2005. We have issued an unqualified opinion on the governmental activities, and each major fund. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements applicable to Harrison County's major federal program: Community Development Block Grant - Harrison County Health Department Project.

#### **Financial Condition:**

The fiscal court had net assets of \$7,592,317 as of June 30, 2005. The fiscal court had unrestricted net assets of \$1,276,841 in its governmental activities as of June 30, 2005. The fiscal court had total debt principal as of June 30, 2005 of \$5,622,439 with \$253,760 due within the next year.

#### **Deposits:**

The fiscal court and component units' deposits were insured and collateralized by bank securities or bonds.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Dean Peak, Harrison County Judge/Executive  
Members of the Harrison County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Harrison County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Harrison County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Harrison County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harrison County, Kentucky, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Dean Peak, Harrison County Judge/Executive  
Members of the Harrison County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harrison County, Kentucky's basic financial statements. The accompanying supplementary information is presented for additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The accompanying supplementary information and schedule of expenditures of federal awards have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2006, on our consideration of Harrison County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
March 9, 2006



## HARRISON COUNTY OFFICIALS

For The Year Ended June 30, 2005

### **Fiscal Court Members:**

Dean Peak	County Judge/Executive
Stanley Lemons	Magistrate
Frankie Taylor	Magistrate
Charles Marshall	Magistrate
Jerry Dawson	Magistrate
Robert Lake	Magistrate
Alexander Barnett	Magistrate
Bill Milner	Magistrate
James Darryl Rainey	Magistrate

### **Other Elected Officials:**

Charles W. Kuster, Jr.	County Attorney
Willard L. Turner	Jailer
Linda Furnish	County Clerk
Wanda Marsh	Circuit Court Clerk
Bruce Hampton	Sheriff
Jerry Casey	Property Valuation Administrator
Tom Ware	Coroner

### **Appointed Personnel:**

Deborah Martin	County Treasurer
Candida Lewis	Occupational Tax Collector
Judy Cunningham	Finance Officer
Wanda Jones	Deputy County Judge/Executive

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# Harrison County

*Courthouse*



*Dean Peak*  
*County Judge/Executive*

*Cynthiana, Kentucky 41031*

Harrison Co. Courthouse  
111 South Main Street  
Cynthiana, Kentucky 41031  
Phone: 859/234-7136  
Fax: 859/234-6647

## **Management's Discussion and Analysis** **June 30, 2005**

The financial management of Harrison County, Kentucky offers readers of Harrison County's financial statements this narrative overview and analysis of the financial activities of Harrison County for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our financial statements and the notes to the financial statements.

### **Financial Highlights**

- Harrison County had net assets of \$7,592,317 as of June 30, 2005. The fiscal court had unrestricted net assets of \$1,276,841 in its governmental activities as of June 30, 2005. Total debt principal as of June 30, 2005 was \$5,622,439 with \$253,760 due within one year.
- The government's total net assets increased by \$738,149 over the prior year. This increase is primarily due to the investment in infrastructure and vehicles and equipment.
- At the close of the current fiscal year, Harrison County balance sheet reported a fund balance of \$1,276,841. Of this amount, \$1,217,814 is available for spending at the government's discretion (unreserved fund balance).
- Harrison County's total indebtedness at the close of fiscal year June 30, 2005 was \$5,622,439 of which \$5,368,679 is long-term debt (due after 1 year) and \$253,760 is short-term debt (to be paid within 1 year).

### **Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction to Harrison County's basic financial statements. Harrison County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function. Comparative schedules of Net Assets, and Capital Assets, Net of Accumulated Depreciation have been included herein.

**Harrison County**  
**Management's Discussion and Analysis**  
**June 30, 2005**  
**(Continued)**

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Harrison County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on Harrison County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Harrison County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for governmental activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements present functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). Harrison County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services, health and sanitation, airports, bus services, interest, and capital projects.

The government-wide financial statements include not only Harrison County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Harrison County has one such entity, the Public Properties Corporation. It is known as a blended component unit.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Harrison County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Harrison County are *governmental funds*.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

**Harrison County**  
**Management's Discussion and Analysis**  
**June 30, 2005**  
**(Continued)**

**Government-wide Financial Statements (Continued)**

**Governmental Funds (Continued)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Harrison County maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General, Road, Jail, Local Government Economic Assistance, Federal Grants, E-911, Shropshire Fund, and Public Properties Corporation all of which are considered major funds by the County.

Harrison County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for all of these funds except the Public Properties Corporation to demonstrate compliance with their budgets. An adopted budget is not required for the Public Properties Corporation Fund.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis.**

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

	FY 2004	FY 2005	Percentage Change 2004-2005
<b>Assets</b>			
Current and Other	\$ 1,502,855	\$ 1,381,678	-8.06%
Capital (restated)	11,147,595	11,833,078	6.15%
Total Assets	<u>\$ 12,650,450</u>	<u>\$ 13,214,756</u>	4.46%
<b>Liabilities</b>			
Current (Due Within One Year)	\$ 221,446	\$ 253,760	14.59%
Long-term (Due In Excess Of One Year)	5,574,837	5,368,679	-3.70%
Total Liabilities	<u>\$ 5,796,283</u>	<u>\$ 5,622,439</u>	-3.00%
<b>Net</b>			
Invested in Capital Assets,			
Net of Related Debt (restated)	\$ 5,467,595	\$ 6,315,476	15.51%
Unrestricted	1,386,572	1,276,841	-7.91%
Total Net Assets (restated)	<u>\$ 6,854,167</u>	<u>\$ 7,592,317</u>	10.77%

- Current assets and cash decreased \$121,177.
- Investment in capital assets, net of related debt increased \$847,881.
- Current and long-term liabilities decreased by \$173,844.

**Harrison County**  
**Management's Discussion and Analysis**  
**June 30, 2005**  
**(Continued)**

**Changes in Net Assets.**

*Governmental Activities.* Harrison County's net assets increased by \$738,149 in fiscal year 2005. Key elements of this are as follows:

**Comparative Statement - Change In Net Assets**

	Governmental Activities		Percentage Change
	FY 2004	FY 2005	2004-2005
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 61,315	\$ 55,632	-9.27%
Operating Grants and Contributions	1,780,286	1,771,153	-0.51%
Capital Grants and Contributions	637,245	529,624	-16.89%
General Revenues			
Property Taxes	713,197	736,233	3.23%
Occupational Taxes	1,364,475	1,895,915	38.95%
Other Taxes	294,515	459,487	56.01%
Excess Fees	58,963	10,727	-81.81%
Enhanced 911 Fees	364,878	351,221	-3.74%
Miscellaneous	155,339	203,640	31.09%
<b>Total Revenues</b>	<b>\$ 5,430,213</b>	<b>\$ 6,013,632</b>	<b>10.74%</b>
<b>Expenses</b>			
General Government	\$ 1,693,163	\$ 1,649,184	-2.60%
Protection to Persons and Property	1,298,796	1,394,766	7.39%
General Health and Sanitation	283,872	739,736	160.59%
Social Services	106,707	109,836	2.93%
Recreation and Culture	110,337	110,503	0.15%
Roads	937,319	925,794	-1.23%
Airports	10,734	10,000	-6.84%
Bus Service	20,567	14,713	-28.46%
Road Facilities	2,000	2,000	0.00%
Interest on Long-term Debt	265,538	239,166	-9.93%
Capital Projects	742,232	79,785	-89.25%
<b>Total Expenses</b>	<b>\$ 5,471,265</b>	<b>\$ 5,275,483</b>	<b>-3.58%</b>
<b>Change In Net Assets</b>	<b>\$ (41,052)</b>	<b>\$ 738,149</b>	

- Revenues were \$6,013,632 as reflected in the Statement of Activities.
- Expenses totaled \$5,275,483 as reflected in the Statement of Activities.

**Harrison County  
Management's Discussion and Analysis  
June 30, 2005  
(Continued)**

**Financial Analysis of the County's Funds.**

As noted earlier, Harrison County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds Overview.* The focus of Harrison County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2005 fiscal year, the combined ending fund balance of County governmental funds was \$1,276,841. Approximately 95% (\$1,217,814) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$59,027) is reserved to indicate that it is not available for new spending because it is committed.

The County has 8 major governmental funds. These are: 1) General Fund, 2) Road Fund, 3) Jail Fund, 4) Local Government Economic Assistance Fund, 5) Federal Grants Fund, 6) E-911 Fund, 7) Shropshire Fund, and 8) Public Properties Corporation Fund.

1. The General Fund is the chief operating fund of Harrison County. At the end of the June 30, 2005 fiscal year, unreserved fund balance of the General Fund was \$818,506, while total fund balance was \$825,384. The county received \$1,895,915 in occupational tax revenues. This accounts for approximately 55% of the general fund revenue. \$736,233 was received from real and personal property taxes and accounts for approximately 21% of the county's general fund revenues. Various other taxes and service fees make up the remaining 24% of general fund revenues.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$100,416 in fund balance at June 30, 2005. The fund balance at the end of the previous year was \$103,702. Expenditures for road resurfacing projects during fiscal year 2005 were \$723,961.
3. The Jail Fund is used to account for the transportation and housing of the County's inmates. The Jail Fund had a fund balance at June 30, 2005 of \$20,082, of which \$13,885 was unreserved. This represents a \$294 decrease in fund balance from the previous fiscal year end. The Jail Fund received \$62,029 from the State of Kentucky. The General Fund contributed \$418,000 to the jail operations.
4. The Local Government Economic Assistance (LGEA) Fund is used to account for funds received and expended under the Local Government Economic Assistance Program. The LGEA Fund had a fund balance at June 30, 2005 of \$16, which represents the amount received from the State of Kentucky.

**Harrison County  
Management's Discussion and Analysis  
June 30, 2005  
(Continued)**

**Financial Analysis of the County's Funds (Continued)**

5. The Federal Grants Fund is used to account for the federal monies received. The county received \$605,644 in federal funds for various ongoing projects. The Federal Grants Fund had a fund balance at June 30, 2005 of \$30,618, of which \$3,917 was unreserved. The county received \$454,573 in Community Development Block Grant funds for the Health Department project, \$75,602 in Homeland Security revenues, \$6,427 in Juvenile Justice grant funding used for a juvenile community service program, and \$64,362 in Federal Tea 21 funds for the renovation of the old jail. The fiscal year expenditures for the Federal Grants Fund were \$664,950.
6. The E-911 Fund accounts for the joint operation of the City of Cynthiana and Harrison County's emergency operations communications. It is supported primarily from telephone surcharge fees, and total revenues were \$410,353. The E-911 Fund balance as of June 30, 2005 was \$48,735.
7. The Shropshire Fund accounts for the operation of the animal shelter with the exclusion of salaries and benefits for the animal control officers, part-time help and the maintenance and repairs of vehicles used in the operation of the animal shelter. It is supported primarily from adoption fees, donations and interest from a money market account and a certificate of deposit, with total revenues being \$27,074. The Shropshire Fund balance as of June 30, 2005 was \$233,330.
8. The Public Properties Corporation Fund had an ending fund balance of \$18,260 at the end of the fiscal year. Its activities are restricted to debt reduction on the Justice Center Bond issue. Outstanding debt on the Justice Center is \$8,033,382 consisting of \$5,470,000 in principal and \$2,563,382 of interest. The debt will be retired in 2022.

**General Fund Budgetary Highlights.**

The County's General Fund budget did not require amendment during the fiscal year. Budget amendments were made to the Road Fund and to the Federal Grants Fund due to the receipt of unexpected grant revenues.

Actual operating revenues of the General Fund were \$144,651 more than the amount originally budgeted by the Harrison County Fiscal Court.

Actual operating expenditures were \$572,263 less than the amount originally budgeted by the Harrison County Fiscal Court.



**Harrison County  
Management's Discussion and Analysis  
June 30, 2005  
(Continued)**

**Capital Assets and Debt Administration.**

*Capital Assets.* Harrison County's investment in capital assets for its government activities as of June 30, 2005, amounts to \$11,833,078 (net of accumulated depreciation). This investment in capital assets includes land and land improvements (other than buildings), buildings, equipment, vehicles and infrastructure.

Additional information on the County's capital assets can be found in Note 3 of this report.

Governmental Activities			Percentage
	FY 2004	FY 2005	Change 2004-2005
Infrastructure Assets	\$ 4,392,405	\$ 4,778,330	8.79%
Land and Land Improvements	482,500	488,500	1.24%
Construction In Progress	64,726	350,812	442.00%
Buildings	5,498,250	5,414,629	-1.52%
Other Equipment	164,384	145,975	-11.20%
Vehicles and Equipment (restated)	545,330	654,832	20.08%
Total Net Capital Assets	<u>\$ 11,147,595</u> (restated)	<u>\$ 11,833,078</u>	6.15%

*Long-Term Debt.* At the end of the 2005 fiscal year, Harrison County had total long-term debt outstanding of \$5,622,439. Of this amount, Revenue Bonds Payable due within the next year is \$220,000 and \$5,250,000 is due in subsequent years. This debt is for the Justice Center Bond issue and is described in Note 5 of the notes to the financial statements.

*Financing Obligations.* The county has total debt in the form of financing obligations in the amount of \$152,439. Of this amount, \$104,837 is for the KaCOLT (Kentucky Association of Counties Leasing Trust) leasing project of the Community Service Building, and the remaining \$47,602 is a lease-purchase agreement for a Caterpillar 420D Backhoe Loader. The Caterpillar lease-purchase will be paid in full in 2008, and the KaCOLT debt will be retired in 2013.

**Other matters.** The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2006 fiscal year budget:

- The 2006 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs. The Fiscal Court may decide to alter the operations or funding of County operations impacted by State revenue shortfalls.

**Requests For Information**

This financial report is designed to provide a general overview of Harrison County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Harrison County Treasurer, 111 S. Main Street, Cynthiana, KY 41031.

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**HARRISON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2005**



**HARRISON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2005**

	<u><b>Primary Government Governmental Activities</b></u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,276,841
Note Receivable	11,790
Total Current Assets	<u>1,288,631</u>
Noncurrent Assets:	
Note Receivable	93,047
Capital Assets - Net of Accumulated Depreciation	
Construction In Progress	350,812
Land and Land Improvements	488,500
Buildings	5,414,629
Other Equipment	145,975
Vehicles and Equipment	654,832
Infrastructure Assets - Net of Depreciation	<u>4,778,330</u>
Total Noncurrent Assets	<u>11,926,125</u>
Total Assets	<u>13,214,756</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Revenue Bonds Payable	220,000
Financing Obligations Payable	<u>33,760</u>
Total Current Liabilities	<u>253,760</u>
Noncurrent Liabilities:	
Revenue Bonds Payable	5,250,000
Financing Obligations Payable	<u>118,679</u>
Total Noncurrent Liabilities	<u>5,368,679</u>
Total Liabilities	<u>5,622,439</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	6,315,476
Unrestricted	<u>1,276,841</u>
Total Net Assets	<u><u>\$ 7,592,317</u></u>

The accompanying notes are an integral part of the financial statements.

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**HARRISON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**

**HARRISON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 1,649,184	\$ 1,688	\$ 367,822	\$ 64,362
Protection to Persons and Property	1,394,766	10,358	194,419	
General Health and Sanitation	739,736	20,423	918	465,262
Social Services	109,836		6,427	
Recreation and Culture	110,503			
Roads	925,794	23,163	927,561	
Airports	10,000			
Bus Service	14,713		16,532	
Road Facilities	2,000			
Interest on Long-term Debt	239,166		257,474	
Capital Projects	79,785			
Total Governmental Activities	<u>\$ 5,275,483</u>	<u>\$ 55,632</u>	<u>\$ 1,771,153</u>	<u>\$ 529,624</u>

**General Revenues:**

Taxes:

    Real Property Taxes

    Personal Property Taxes

    Motor Vehicle Taxes

    Occupational Taxes

    Other Taxes

Excess Fees

Enhanced 911 Fees

Miscellaneous Revenues

    Total General Revenues

    Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**HARRISON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>	
<b>Primary Government</b>	
<b>Governmental Activities</b>	<b>Totals</b>
\$ (1,215,312)	\$ (1,215,312)
(1,189,989)	(1,189,989)
(253,133)	(253,133)
(103,409)	(103,409)
(110,503)	(110,503)
24,930	24,930
(10,000)	(10,000)
1,819	1,819
(2,000)	(2,000)
18,308	18,308
(79,785)	(79,785)
(2,919,074)	(2,919,074)
555,653	555,653
45,442	45,442
135,138	135,138
1,895,915	1,895,915
459,487	459,487
10,727	10,727
351,221	351,221
203,640	203,640
3,657,223	3,657,223
738,149	738,149
6,854,168	6,854,168
<u>\$ 7,592,317</u>	<u>\$ 7,592,317</u>

The accompanying notes are an integral part of the financial statements.

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**HARRISON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2005**

**HARRISON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2005**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Federal Grants Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 825,384	\$ 100,416	\$ 20,082	\$ 16	\$ 30,618
Total Assets	<u>\$ 825,384</u>	<u>\$ 100,416</u>	<u>\$ 20,082</u>	<u>\$ 16</u>	<u>\$ 30,618</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	\$ 6,878	\$ 18,917	\$ 6,197	\$	\$ 26,701
Unreserved:					
General Fund	818,506				
Special Revenue Funds		81,499	13,885	16	3,917
Debt Service Fund					
Total Fund Balances	<u>\$ 825,384</u>	<u>\$ 100,416</u>	<u>\$ 20,082</u>	<u>\$ 16</u>	<u>\$ 30,618</u>

**Reconciliation Of The Balance Sheet - Governmental Funds To The Statement Of Net Assets:**

Total Fund Balances	\$ 1,276,841
Amounts Reported For Governmental Activities in the Statement of Net Assets Are Different Because:	
Note Receivable - Amount Due from Sub-lessee, However Paid Directly to Lessor by Sub-lessee, Therefore Not Available as Funds to the County and Not an Asset in the Governmental Funds.	104,837
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	20,756,003
Accumulated Depreciation	(8,922,925)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(152,439)
Bonded Debt	<u>(5,470,000)</u>
Net Assets Of Governmental Activities	<u>\$ 7,592,317</u>

The accompanying notes are an integral part of the financial statements.

**HARRISON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2005**  
**(Continued)**

<b>E-911 Fund</b>	<b>Shropshire Fund</b>	<b>Public Properties Corporation Fund</b>	<b>Total Governmental Funds</b>
<u>\$ 48,735</u>	<u>\$ 233,330</u>	<u>\$ 18,260</u>	<u>\$ 1,276,841</u>
<u>\$ 48,735</u>	<u>\$ 233,330</u>	<u>\$ 18,260</u>	<u>\$ 1,276,841</u>
\$ 247	\$ 87	\$	\$ 59,027
			818,506
48,488	233,243		381,048
		18,260	18,260
<u>\$ 48,735</u>	<u>\$ 233,330</u>	<u>\$ 18,260</u>	<u>\$ 1,276,841</u>

The accompanying notes are an integral part of the financial statements.

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**HARRISON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**HARRISON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>REVENUES</b>				
Taxes	\$ 3,091,635	\$	\$	\$
In Lieu Tax Payments	4,643			
Excess Fees	10,727			
Licenses and Permits	1,620			
Intergovernmental	224,430	927,545	62,029	16
Charges for Services			7,180	
Miscellaneous	110,661	46,367	3,160	
Interest	21,936	892		
Total Revenues	<u>3,465,652</u>	<u>974,804</u>	<u>72,369</u>	<u>16</u>
<b>EXPENDITURES</b>				
General Government	941,733			
Protection to Persons and Property	420,713		465,986	
General Health and Sanitation	255,451			
Social Services	97,368			
Recreation and Culture	264,204			
Roads		1,374,289		
Airports	10,000			
Bus Service	14,713			
Other Transportation Facilities and Services	2,000			
Debt Service	11,446			
Capital Projects	71,676	2,155		
Administration	409,361	177,556	24,677	
Total Expenditures	<u>2,498,665</u>	<u>1,554,000</u>	<u>490,663</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>966,987</u>	<u>(579,196)</u>	<u>(418,294)</u>	<u>16</u>
<b>Other Financing Sources (Uses)</b>				
Financing Obligation Proceeds		65,910		
Transfers From Other Funds	32,806	510,000	418,000	
Transfers To Other Funds	(998,156)			
Total Other Financing Sources (Uses)	<u>(965,350)</u>	<u>575,910</u>	<u>418,000</u>	
Net Change in Fund Balances	1,637	(3,286)	(294)	16
Fund Balances - Beginning	823,747	103,702	20,376	
Fund Balances - Ending	<u>\$ 825,384</u>	<u>\$ 100,416</u>	<u>\$ 20,082</u>	<u>\$ 16</u>

The accompanying notes are an integral part of the financial statements.



**HARRISON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>Federal Grants Fund</b>	<b>E-911 Fund</b>	<b>Shropshire Fund</b>	<b>Public Properties Corporation Fund</b>	<b>Total Governmental Funds</b>
\$	\$ 351,221		\$	\$ 3,442,856
				4,643
				10,727
				1,620
605,644	57,466	8,774	469,038	2,354,942
				7,180
	945	12,567		173,700
	721	5,733	128	29,410
<u>605,644</u>	<u>410,353</u>	<u>27,074</u>	<u>469,166</u>	<u>6,025,078</u>
124,352				1,066,085
73,606	489,288			1,449,593
454,524		28,226		738,201
12,468				109,836
				264,204
				1,374,289
				10,000
				14,713
				2,000
			467,474	478,920
			5,954	79,785
			1,500	613,094
<u>664,950</u>	<u>489,288</u>	<u>28,226</u>	<u>474,928</u>	<u>6,200,720</u>
<u>(59,306)</u>	<u>(78,935)</u>	<u>(1,152)</u>	<u>(5,762)</u>	<u>(175,642)</u>
				65,910
70,156				1,030,962
<u>(32,806)</u>				<u>(1,030,962)</u>
<u>37,350</u>				<u>65,910</u>
(21,956)	(78,935)	(1,152)	(5,762)	(109,732)
52,574	127,670	234,482	24,022	1,386,573
<u>\$ 30,618</u>	<u>\$ 48,735</u>	<u>\$ 233,330</u>	<u>\$ 18,260</u>	<u>\$ 1,276,841</u>

The accompanying notes are an integral part of the financial statements.

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**HARRISON COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**



**HARRISON COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes  
In Fund Balances - Governmental Funds to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ (109,732)
--	--------------

Amounts reported for governmental activities in the Statement of Activities are different because:

Contribution from the Community Action Council for on-behalf payment made to reduce debt incurred by the County for the Community Service Building Renovation and also reduces the note receivable recorded in the governmental activities.	(11,446)
---	----------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	1,269,232
Depreciation Expense	(570,331)
Book Value of Capital Assets Sold	(13,418)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets.

Financing Obligation Proceeds	(65,910)
Financing Obligation Payments	29,754
Bond Payments	210,000

Change in Net Assets of Governmental Activities	\$ 738,149
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The accompanying notes are an integral part of the financial statements.

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**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government wide and fund financial statements in accordance with the a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Harrison County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

**Blended Component Unit**

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Unit (Continued)

Harrison County Public Properties Corporation:

The Harrison County Public Properties Corporation cannot be sued in its own name without recourse to the Harrison County Fiscal Court, who appoints a voting majority consisting of the fiscal court members and the County Attorney. The fiscal court is able to impose its will on the Corporation. The Corporation is created solely for the benefit of the fiscal court per KRS 58.180 to act as the agency in the acquisition and financing of any public project. The fiscal court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the fiscal court. This component unit is blended within the financial statements of the county.

**C. Harrison County Elected Officials Not Part Of Harrison County, Kentucky**

Kentucky law provides for election of the officials below from the geographic area constituting Harrison County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs. Harrison County has no business-type activities or fiduciary funds.



**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements. Harrison County does not have any proprietary or fiduciary funds.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**HARRISON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for revenues and expenditures under the Local Government Economic Assistance Program.

Federal Grants Fund - The purpose of this fund is to account for federal grant funds received and expended.

E-911 Fund - The purpose of this fund is to account for revenues and expenditures of the E-911.

Shropshire Fund - The purpose of this fund is to account for the revenues and expenditures of the Shropshire Animal Shelter.

Public Properties Corporation Fund - This fund accounts for the activities of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to build a justice center. The Public Properties Corporation entered into a contract, lease, and option with the County and Administrative Office of The Courts (AOC), Commonwealth of Kentucky. The Governor's Office for Local Development does not require the fiscal court to report or budget these funds.

The primary government designated all its funds as major funds; therefore there are no non-major funds.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (Mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the governmental activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings and Building Improvements	\$ 5,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

**G. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted, nor are they required by the State Local Finance Officer for the Public Properties Corporation Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Joint Venture**

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Harrison County Fiscal Court: Cynthiana/Harrison County Public Properties Corporation, Cynthiana/Harrison County Industrial Authority, and Cynthiana/Berry/Harrison County E-911.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 2. Deposits**

The primary government and component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government follows the requirements of KRS 41.240(4) and does not have a deposit policy for custodial risk. As of June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 482,500	\$ 6,000	\$	\$ 488,500
Construction In Progress	64,726	286,086		350,812
Total Capital Assets Not Being Depreciated	547,226	292,086		839,312
Capital Assets, Being Depreciated:				
Buildings	5,832,578			5,832,578
Other Equipment	450,803	23,739		474,542
Vehicles and Equipment	1,133,952	229,446	(48,234)	1,315,164
Infrastructure	11,570,446	723,961		12,294,407
Total Capital Assets Being Depreciated	18,987,779	977,146	(48,234)	19,916,691
Less Accumulated Depreciation For:				
Buildings	(334,328)	(83,621)		(417,949)
Other Equipment	(286,419)	(42,148)		(328,567)
Vehicles and Equipment	(588,622)	(106,526)	34,816	(660,332)
Infrastructure	(7,178,041)	(338,036)		(7,516,077)
Total Accumulated Depreciation	(8,387,410)	(570,331)	34,816	(8,922,925)
Total Capital Assets, Being Depreciated, Net	10,600,369	406,815	(13,418)	10,993,766
Governmental Activities Capital Assets, Net	\$ 11,147,595	\$ 698,901	\$ (13,418)	\$ 11,833,078

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
General Government	\$ 102,390
Protection to Persons and Property	73,213
General Health and Sanitation	1,535
Roads, Including Depreciation of General Infrastructure Assets	393,193
Total Depreciation Expense - Governmental Activities	<u>\$ 570,331</u>

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 4. Short-term Debt**

In July 2004, Harrison County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$1,755,800, with principal being due in January 2005. While the County did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky advance Revenue Program of \$5,392.

Changes In Short-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities:</u>				
Kentucky Advance Revenue Program	\$	\$ 1,755,800	\$ 1,755,800	\$
Governmental Activities Short-term Liabilities	\$ 0	\$ 1,755,800	\$ 1,755,800	\$ 0

**Note 5. Long-term Debt**

**A. First Mortgage Revenue Bonds, Series 2001**

On February 7, 2001, the Harrison County Public Properties Corporation issued \$6,075,000 in First Mortgage Revenue Bonds, Series 2001, for the purpose of constructing a Justice Center. The bond issue covers a twenty-year period with an annual principal payment due each March 1, beginning March 1, 2003. Interest is payable semi-annually each September 1 and March 1, beginning September 1, 2001. The county subsequently entered into a sub-lease agreement with the Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. The total principal balance outstanding was \$5,470,000 as of June 30, 2005.

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Interest	Scheduled Principal
2006	\$ 249,138	\$ 220,000
2007	240,337	230,000
2008	230,562	240,000
2009	220,362	250,000
2010	209,737	260,000
2011-2015	866,934	1,510,000
2016-2020	483,137	1,880,000
2021-2022	63,175	880,000
Totals	\$ 2,563,382	\$ 5,470,000

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. Financing Obligations, Capital Lease (Community Service Building Renovation) and Note Receivable**

On December 17, 2002, the County entered into a ten-year lease agreement with Kentucky Association of Counties Leasing Trust, in the amount of \$127,396, for the renovation of the Community Service Building. The lease agreement calls for yearly principal payments due in January of each year starting in January 2004 and monthly interest payments starting in February 2003. The county subsequently entered into a sub-lease agreement with the Community Action Council for Lexington-Fayette, Harrison, Harrison, and Nicholas Counties, Inc., which pays the lease payments directly to Kentucky Association of Counties Leasing Trust. The total lease principal balance outstanding was \$104,837 as of June 30, 2005. The total note receivable balance still due the county as of June 30, 2005, was also \$104,837.

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ 4,381	\$ 11,790
2007	3,858	12,143
2008	3,319	12,508
2009	2,764	12,883
2010	2,192	13,269
2011-2013	<u>2,970</u>	<u>42,244</u>
Totals	<u>\$ 19,484</u>	<u>\$ 104,837</u>

**C. Financing Obligations, Capital Lease-Purchase (Caterpillar 420D Backhoe Loader)**

On September 14, 2004, the County entered into a three-year lease-purchase agreement with Caterpillar Financial Services Corporation, in the amount of \$65,910, for a Caterpillar 420D Backhoe Loader. The agreement calls for monthly principal payments of \$1,831 starting in September 2004 (The interest rate on the agreement is zero percent). The total principal balance outstanding was \$47,602 as of June 30, 2005.

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>
2006	\$ 21,970
2007	21,970
2008	<u>3,662</u>
Totals	<u>\$ 47,602</u>



**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**D. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 5,680,000	\$	\$ 210,000	\$ 5,470,000	\$ 220,000
Financing Obligations	116,283	65,910	29,754	152,439	33,760
Governmental Activities					
Long-term Liabilities	<u>\$ 5,796,283</u>	<u>\$ 65,910</u>	<u>\$ 239,754</u>	<u>\$ 5,622,439</u>	<u>\$ 253,760</u>

**Note 6. Related Party Transaction**

In April 2003, Harrison County Fiscal Court and the City of Cynthiana entered into an agreement to purchase a tract of land (approximately 120 acres) from Handy Farm, Inc. of Cynthiana, Kentucky. The total consideration for the acreage was six hundred sixty thousand dollars (\$660,000) (See Note 7 D). Charles Marshall, a magistrate of the Harrison County Fiscal Court, was part owner of the Handy Farm. On April 15, 2004, the Harrison County Ethics Committee investigated this purchase and found no ethical violations in the matter.

**Note 7. Commitments and Contingencies**

**A. Cynthiana/Harrison County Public Properties Corporation**

In June 1995, the Harrison County Fiscal Court (the County) and the City of Cynthiana (the City) formed the Cynthiana/Harrison County Public Properties Corporation (the Corporation) for the acquisition and financing of the Cynthiana/Harrison County Community Service Building project. Upon formation of the Corporation, individual and corporate donations were received and the City received a \$350,000 CDBG grant to construct the community service building. The donations and grant were expected to be approximately \$500,000 short of the anticipated construction costs. The Corporation executed a loan agreement with Farmers National Bank to draw up to \$499,000 in order to complete the project. The rent collected from several community service organizations is used to service the debt. The Corporation is managed by the City, and there has been no audit performed for the Corporation in the past six (6) years. Should the Corporation default on the loan at Farmers National Bank, the county could be responsible for one-half of the outstanding liabilities. As of June 30, 2005, the outstanding principal balance was \$434,159.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 7. Commitments and Contingencies**

**B. Cynthiana/Harrison County Industrial Authority**

In January 1999, Harrison County Fiscal Court (the County) adopted a resolution, which obligates the county (in conjunction with the City of Cynthiana's matching offer) to cover fifty percent of any expenses "not covered from net sales proceeds of land by the Cynthiana/Harrison County Industrial Authority" (the Authority). This obligation was made in support of the Authority's project to develop an industrial park in Harrison County. In this resolution, the County also committed "the sum of two hundred fifty thousand (\$250,000) dollars" in order for the Authority to receive an additional one and one-half million (\$1,500,000) dollar federal grant. The County's commitment represents one-half of the matching funds needed (in conjunction with the City's matching offer) for the Authority to receive the additional funding. The Authority obtained an \$800,000 loan for the purchase of the land for the project. As of June 30, 2005, the outstanding principal balance on the loan was \$614,651. In the fiscal year ending June 30, 2005 the county paid the Authority \$70,000 for their share of the operating expenses of the Authority.

**C. Cynthiana/Berry/Harrison County E-911**

In April 1999, Harrison County Fiscal Court (the County) passed an ordinance for "the establishment of an Enhanced 911 Emergency Telephone Service within Cynthiana and Harrison County, Kentucky." An E-911 Advisory Board (the Board) was created with the City of Cynthiana (the City) and the County equally represented on the Board. The City and County subsequently entered into an interlocal agreement which states, in part, "The cost of the E-911 program shall be funded from the receipts from a telephone service surcharge, which has been levied by the County to be collected by the appropriate telephone operating company on each eligible business and residential telephone line operating within Harrison County. The County may fix or change the rate of the telephone surcharge to be applied, but it shall be sufficient to meet the budgetary requirements for the operation of the E-911 program. If at any time moneys collected from the telephone surcharge are insufficient to meet the needs and obligations of the Board for the operation of the E-911 program, the remaining costs shall be apportioned evenly (50/50) between the City and the County and immediately forwarded to the Harrison County Treasurer for use by the Board in the operation of the Center." On March 25, 2003, the county amended the E-911 ordinance, increasing the assessment fee from \$2.50 per month for each telephone line within the City and County, to \$4.00 per month for each telephone line within the City and County. As of the audit date, the system had been implemented, and the fee appears to have covered the operating expenses of the E-911 program at this time.

**HARRISON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Continued)**

**Note 7. Commitments and Contingencies (Continued)**

**D. Cynthiana/Harrison County Real Estate Purchase**

In April 2003, Harrison County Fiscal Court (the County) and the City of Cynthiana (the City) entered into an agreement to purchase a tract of land (approximately 120 acres) from Handy Farm, Inc. of Cynthiana, Kentucky. The total consideration for the acreage was six hundred sixty thousand dollars (\$660,000). Based on the agreement between the City and County each party is responsible for half the purchase price. The County paid twenty-five thousand dollars (\$25,000) for the option to purchase the land, and an additional two hundred thirty-five thousand dollars (\$235,000) the day of closing. The terms of the purchase agreement call for an additional "four hundred thousand dollars (\$400,000) without interest thereon until the date of maturity, payable as hereinafter set out: This note to be paid in equal yearly installments of one hundred thousand dollars (\$100,000) each commencing one (1) year from the date hereof on the anniversary date hereof and continuing on the same date each year thereafter until paid in full." In April 2005, the City paid one hundred thousand dollars (\$100,000) leaving a June 30, 2005 balance of two hundred thousand dollars (\$200,000). The purpose of this real estate purchase was to establish a public park for the citizens of Harrison County and Cynthiana.

**Note 8. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

**Note 9. Insurance**

For the fiscal year ended June 30, 2005, Harrison County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 10. Prior Period Adjustments**

Net Assets - Beginning, on the Statement of Activities have been increased by \$2,000 to reflect assets discovered during the 2005 fiscal year that were omitted in the prior year audit and \$1 for rounding differences. The total adjustment to Net Assets - Beginning is \$2,001.

**Note 11. Estimated Infrastructure Historical Cost**

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2004 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major construction or reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through the current fiscal year. All infrastructure assets placed in service during the fiscal year ended June 30, 2004, and thereafter are recorded at actual historical cost.

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**



**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 2,720,300	\$ 2,720,300	\$ 3,091,635	\$ 371,335
In Lieu Tax Payments	3,500	3,500	4,643	1,143
Excess Fees	11,410	11,410	10,727	(683)
Licenses and Permits	2,500	2,500	1,620	(880)
Intergovernmental Revenue	502,345	502,345	212,984	(289,361)
Miscellaneous	58,000	58,000	110,661	52,661
Interest	11,500	11,500	21,936	10,436
Total Revenues	3,309,555	3,309,555	3,454,206	144,651
<b>EXPENDITURES</b>				
General Government	1,209,766	1,185,617	941,733	243,884
Protection to Persons and Property	371,535	464,235	420,713	43,522
General Health and Sanitation	303,137	303,167	255,451	47,716
Social Services	123,080	112,680	97,368	15,312
Recreation and Culture	372,530	378,530	264,204	114,326
Airports	10,000	10,000	10,000	
Bus Services	14,714	14,714	14,713	1
Other Transportation Facilities and Services	2,000	2,000	2,000	
Capital Projects	75,000	72,600	71,676	924
Administration	577,720	515,939	409,361	106,578
Total Expenditures	3,059,482	3,059,482	2,487,219	572,263
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	250,073	250,073	966,987	716,914
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds			32,806	32,806
Transfers To Other Funds	(1,238,725)	(1,238,725)	(998,156)	240,569
Total Other Financing Sources (Uses)	(1,238,725)	(1,238,725)	(965,350)	273,375
Net Changes in Fund Balance	(988,652)	(988,652)	1,637	990,289
Fund Balance - Beginning	988,652	988,652	823,747	(164,905)
Fund Balance - Ending	\$ 0	\$ 0	\$ 825,384	\$ 825,384

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 849,821	\$ 949,821	\$ 927,545	\$ (22,276)
Miscellaneous	16,000	16,000	46,367	30,367
Interest	1,000	1,000	892	(108)
Total Revenues	866,821	966,821	974,804	7,983
<b>EXPENDITURES</b>				
Roads	1,219,410	1,469,351	1,374,289	95,062
Capital Projects	130,000	30,000	2,155	27,845
Administration	293,500	243,559	177,556	66,003
Total Expenditures	1,642,910	1,742,910	1,554,000	188,910
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(776,089)	(776,089)	(579,196)	196,893
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds			65,910	65,910
Transfers From Other Funds	676,089	676,089	510,000	(166,089)
Total Other Financing Sources (Uses)	676,089	676,089	575,910	(100,179)
Net Changes in Fund Balance	(100,000)	(100,000)	(3,286)	96,714
Fund Balance - Beginning	100,000	100,000	103,702	3,702
Fund Balance - Ending	\$ 0	\$ 0	\$ 100,416	\$ 100,416



**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>JAIL FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 54,200	\$ 54,200	\$ 62,029	\$ 7,829
Charges for Services	7,000	7,000	7,180	180
Miscellaneous	1,000	1,000	3,160	2,160
Total Revenues	62,200	62,200	72,369	10,169
<b>EXPENDITURES</b>				
Protection to Persons and Property	505,600	506,100	465,986	40,114
Administration	28,600	28,100	24,677	3,423
Total Expenditures	534,200	534,200	490,663	43,537
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(472,000)	(472,000)	(418,294)	53,706
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	452,000	452,000	418,000	(34,000)
Total Other Financing Sources (Uses)	452,000	452,000	418,000	(34,000)
Net Changes in Fund Balance	(20,000)	(20,000)	(294)	19,706
Fund Balance - Beginning	20,000	20,000	20,376	376
Fund Balance - Ending	\$ 0	\$ 0	\$ 20,082	\$ 20,082

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

	<b>LGEA FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental Revenue	\$	\$	\$ 16	\$ 16
Total Revenues			16	16
<b>EXPENDITURES</b>				
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures			16	16
Net Changes in Fund Balances			16	16
Fund Balances - Beginning				
Fund Balances - Ending	\$ 0	\$ 0	\$ 16	\$ 16

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

	<b>FEDERAL GRANTS FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 662,010	\$ 761,420	\$ 605,644	\$ (155,776)
Total Revenues	662,010	761,420	605,644	(155,776)
<b>EXPENDITURES</b>				
General Government	175,000	274,410	124,352	150,058
Protection to Persons and Property	65,960	73,766	73,606	160
General Health and Sanitation	500,000	500,000	454,524	45,476
Social Services	21,686	21,686	12,468	9,218
Administration	50,000	42,194		42,194
Total Expenditures	812,646	912,056	664,950	247,106
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(150,636)	(150,636)	(59,306)	91,330
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	110,636	110,636	70,156	(40,480)
Transfers To Other Funds			(32,806)	(32,806)
Total Other Financing Sources (Uses)	110,636	110,636	37,350	(73,286)
Net Changes in Fund Balances	(40,000)	(40,000)	(21,956)	18,044
Fund Balances - Beginning	40,000	40,000	52,574	12,574
Fund Balances - Ending	\$ 0	\$ 0	\$ 30,618	\$ 30,618

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>E-911 FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 352,500	\$ 352,500	\$ 351,221	\$ (1,279)
Intergovernmental Revenue	50,000	50,000	57,466	7,466
Miscellaneous	1,000	1,000	945	(55)
Interest	1,000	1,000	721	(279)
Total Revenues	<u>404,500</u>	<u>404,500</u>	<u>410,353</u>	<u>5,853</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	504,500	514,500	489,288	25,212
Administration	10,000			
Total Expenditures	<u>514,500</u>	<u>514,500</u>	<u>489,288</u>	<u>25,212</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(110,000)</u>	<u>(110,000)</u>	<u>(78,935)</u>	<u>31,065</u>
Net Changes in Fund Balances	(110,000)	(110,000)	(78,935)	31,065
Fund Balances - Beginning	<u>110,000</u>	<u>110,000</u>	<u>127,670</u>	<u>17,670</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 48,735</u>	<u>\$ 48,735</u>

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

	<b>SHROPSHIRE FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,000	\$ 1,000	\$ 8,774	\$ 7,774
Miscellaneous	12,500	12,500	12,567	67
Interest	4,500	4,500	5,733	1,233
Total Revenues	18,000	18,000	27,074	9,074
<b>EXPENDITURES</b>				
General Health and Sanitation	34,000	34,000	28,226	5,774
Total Expenditures	34,000	34,000	28,226	5,774
Excess (Deficiency) of Revenues Over Expenditures	(16,000)	(16,000)	(1,152)	14,848
Net Changes in Fund Balances	(16,000)	(16,000)	(1,152)	14,848
Fund Balances - Beginning	16,000	16,000	234,482	218,482
Fund Balances - Ending	\$ 0	\$ 0	\$ 233,330	\$ 233,330

**HARRISON COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2005**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Reconciliation of the Budgetary Comparison Schedule-General Fund  
to the Statement of Revenues, Expenditures, and Changes in Fund Balance-  
Governmental Funds**

Total Revenues-Budgetary Basis	\$ 3,454,206
Plus: Contributions made by Community Action Council	<u>11,446</u>
Total Revenues-Modified Cash Basis	<u><u>\$ 3,465,652</u></u>
 Total Expenditures-Budgetary Basis	 \$ 2,487,219
Plus: Debt service payments on Community Service Building Renovation	<u>11,446</u>
Total Expenditures-Modified Cash Basis	<u><u>\$ 2,498,665</u></u>

**HARRISON COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2005**





**HARRISON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2005**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the governmental activities and each major fund of Harrison County, Kentucky.
2. No reportable conditions are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Harrison County were disclosed during the audit.
4. No material weaknesses or reportable conditions relating to the audit of the major federal awards program are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards program for Harrison County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Harrison County.
7. The program tested as a major program was: the Community Development Block Grant – Health Department Project. The threshold for distinguishing Type A and B programs was \$300,000.
8. Harrison County was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

None.

Prior Year Findings and Questioned Costs - Major Federal Awards Program Audit

Not Applicable.

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**HARRISON COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**  
  
**For The Year Ended June 30, 2005**



**HARRISON COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**

**Fiscal Year Ended June 30, 2005**

Federal Grantor

Program Title

Grant Name (CFDA #)

Pass-Through

Grantor's Number

Expenditures

Cash Programs:

U.S. Department of Housing and Urban Development

Passed-Through Governor's Office

For Local Development

Community Development Block

Grants- Harrison County Health

Department

(CFDA #14.228 )

03-056 \$ 454,524

U.S. Department of the Interior

Passed-Through Governor's Office

For Local Development

Land and Water Conservation

Fund Program - Handy Park

(CFDA #15.916)

21-01299 50,000

U.S. Department of Justice

Passed-Through State Justice Cabinet:

Juvenile Accountability Block Grant

Youth Community Service Work Program

(CFDA #16.523 )

2003JBBX0033(206) 4,963

U.S. Department of Transportation

Passed-Through Kentucky

Transportation Cabinet:

Transportation Equity

Act (TEA-21) - Jail

Rehabilitation

(CFDA #20.205)

C-04502415 64,362

Passed-Through Governor's Office

For Local Development:

Federal Highway Administration -

Recreational Trails Program

(CFDA #20.219)

RTP 150-01 31,250

**HARRISON COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**  
**Fiscal Year Ended June 30, 2005**  
**(Continued)**

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>U. S. Department of Homeland Security</u>		
Passed-Through State Department of Military Affairs:		
State Domestic Preparedness Equipment Support Program - General Equipment Grant (CFDA #97.004)	Not Available	\$ 69,852
Community Emergency Response Teams (CFDA #97.054)	Not Available	3,754
Disaster Grants - Public Assistance - Ice Storm 2003 (CFDA #97.036)	Not Available	4,035
Total Cash Expenditures of Federal Awards		<u>\$ 682,740</u>

**HARRISON COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**  
**Fiscal Year Ended June 30, 2005**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Harrison County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Dean Peak, Harrison County Judge/Executive  
Members of the Harrison County Fiscal Court

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities and each major fund of Harrison County, Kentucky as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 9, 2006. Harrison County prepares its financial statements in accordance with the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Harrison County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harrison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
March 9, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Dean Peak, Harrison County Judge/Executive  
Members of the Harrison County Fiscal Court

**Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Harrison County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Harrison County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable its major federal program is the responsibility of Harrison County's management. Our responsibility is to express an opinion on Harrison County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Harrison County's compliance with those requirements and performing such other audit procedures we considered necessary under the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Harrison County's compliance with those requirements.

In our opinion, Harrison County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Harrison County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Harrison County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
March 9, 2006



